

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L MOSCOW 1714

E.O. 11652: GDS

TAGS: ETRD, EEWT, ENRG, UR

SUBJECT: TRW DIVISION MAKES SECOND MAJOR SALE OF PUMPS

1. REDA PUMP DIVISION OF TRW SIGNED DOLLARS 17 MILLION CONTRACT WITH SOVIETS FEBRUARY 6 FOR AN ADDITIONAL SHIPMENT OF SUBMERSIBLE PUMPS. AS DESCRIBED BY COMPANY REPS TO COMMERCIAL ATTACHE, LATEST REDA CONTRACT PROVIDES ENCOURAGING SIGN THAT SOVIETS INTEND CONTINUE SUBSTANTIAL PURCHASES OF U.S. EQUIPMENT DESPITE LACK OF CREDIT FACILITIES. AT SAME TIME, HOWEVER, EXPERIENCE OF LATEST REDA NEGOTIATIONS DEMONSTRATES LIMITATIONS ON THIS PROCESS.

2. ACCORDING TO REDA REPS, OUTLINES OF LATEST CONTRACT HAD BEEN GENERALLY AGREED DURING DECEMBER AND SOVIETS HAD INDICATED THAT THEY INTENDED USE EX-IM FINANCING FOR THIS PURCHASE, AS THEY HAD DONE IN CASE OF PREVIOUS CONTRACT WITH REDA. IN LIGHT UNAVAILABILITY EX-IM LOANS SOVIETS AGREED PAY CASH. THEY ADVISED REDA, HOWEVER, THAT MAXIMUM ALLOCATION FOR THIS CONTRACT, AT LEAST THROUGH NOVEMBER 1975 WHEN ALL DELIVERIES SHOULD BE COMPLETED, WAS DOLLARS 17 MILLION. THIS NECESSITATED A SUBSTANTIAL SCALING
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DOWN OF VOLUMES OF EQUIPMENT IN ORDER TO BRING TOTAL VALUE

OF CONTRACT UNDER THIS LIMIT.

3. COMMENT: IN EMBASSY'S VIEW, REDA'S EXPERIENCE INDICATES THAT SOVIETS WILL BE PREPARED TO MOVE TO CASH PAYMENT ON AT LEAST SOME OF THE PROJECTS INVOLVING U.S. COMPANIES FOR WHICH THEY HAD EARLIER HOPED TO USE EX-IM CREDITS. ANOTHER CASE IN POINT IS ROCKWELL INTERNATIONAL ARTIFICIAL FUR PLANT (DOLLARS 23 MILLION), CONTRACT FOR WHICH IS READY FOR SIGNATURE, WHICH SOVIETS HAD DEFINITELY PLANNED FINANCE UNDER EX-IM. (COMMENT: COMMOFF UNDERSTANDS THAT MAJOR PROBLEM ON ROCKWELL DEAL IS ON U.S. SIDE AND REFLECTS FACT THAT BETWEEN TIME NEGOTIATIONS WERE STARTED AND PRESENT, ROCKWELL WAS OBLIGED UNDER CONSENT DECREE TO SELL ITS WALDMANN-JACQUART DIVISION TO HAYES-ALBION. THIS DIVISION IS SLATED SUPPLY DOLLARS 12 MILLION OF EQUIPMENT. END COMMENT) NEXT MAJOR TEST OF SOVIET READINESS SHIFT FROM CREDIT TO CASH PAYMENT WILL COME IN CASE OF GOULD INC. NEGOTIATIONS FOR ENGINE HALF-BEARING PLANT (DOLLARS 47 MILLION), ON WHICH VIRTUAL AGREEMENT WAS REACHED BY END OF 1974. GOULD TEAM DUE ARRIVE MOSCOW FEBRUARY 20.

4. REDA EXPERIENCE ALSO INDICATES, HOWEVER, THAT THERE ARE LIMITATIONS ON SOVIET WILLINGNESS PAY CASH FOR U.S. EQUIPMENT, EVEN WHEN IT IS DESTINED FOR HIGH-PRIORITY SECTOR SUCH AS OIL INDUSTRY. HAD EX-IM BORROWING FACILITIES BEEN AVAILABLE, REDA SALE WOULD HAVE BEEN SUBSTANTIALLY LARGER. AS IT IS, COMPANY MAY END UP WITH TWO CONTRACTS APPROXIMATELY EQUAL TO WHAT THEY MIGHT HAVE SOLD AT ONE SHOT.
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